



**PARK REGION** Mutual Telephone Co.

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**CC DOCKET 96-45 FEDERAL-STATE JOINT BOARD ON UNIVERSAL SERVICE**

April 11, 1996

William F. Canton  
Acting Secretary  
Federal Communications Commission  
Room 222  
1919 M Street, NW  
Washington, DC 20554

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FCC MAIL ROOM

Dear Mr. Canton:

**BACKGROUND**

Park Region Telephone Company is a small rural cooperative serving 4,000 access lines utilizing over 1000 miles of cable to cover a 604 square mile area in the West Central Minnesota lakes country. Park Region is actually an aggregation on eleven small farmer-owned companies that went together to provide telephone service to themselves because the large commercial companies of the day were not interested. Ironically, in 1996 those large commercial telephone companies continue to exit less profitable rural areas and invest in ventures offering higher returns on the investment.

The support that Park Region has obtained through the NECA pooling process has been a key factor in the ability to provide the system upgrades necessary to maintain quality service in this rural area. While Park Region's local service rates are relatively low, few customers have the ability to call more than 2000 customers without incurring long distance charges. Combining our customer's toll charges with

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their local charges and then comparing average monthly bills with those in metropolitan areas tells a story of comparability. The true test in assessing universal service goals is in comparable total billings which must include all costs.

We were pleased to see the strong support of the universal service concept in the Telecommunications Act of 1996. The current mechanism which was designed to assist telephone companies to recover their costs has served the American public well. Park Region has used the support to provide fiber optic backbone trunking facilities to all of our exchange switches and are currently expanding the fiber technology to hub locations in rural areas where old air core cables need to be replaced, or where current distribution cable capacities will no longer support the demand.

The local fiber distribution project makes HDSL technology available to customers within two miles of the hubs. HDSL is an emerging technology which utilizes two pairs of copper cable to the home, while being served by fiber hubs or nodes. HDSL enables broadband services and speeds unavailable just a short time ago. HDSL, through its six times faster speed than ISDN, will afford voice, data and video to our customers. With Park Region's current efficient deployment of fiber hubs, HDSL technology could be made available to almost 50% of our customers. This summer, another project should add another 20%. Now that large companies are purchasing the HDSL technology in quantity, the prices will come down and small companies will be able to deploy the technology economically.

Ten years ago, our company along with a neighboring rural telephone company leased a fiber optic, two-way, inter-active educational television system, to five local school districts. The ETS project has now grown to nine schools, some of which utilize two inter-active classrooms per site.

Our company is also a co-provider of the Val-Ed interactive television systems. The eight year old system provides video remote teaching capability to fourteen K - 12 institutions and two colleges.

Our all digital central offices are equipped with SS7 signaling, inter and intra lata equal access. They also are equipped with data switching capabilities that affords local call Internet access to all access lines.

Loosing the support of small company cost recovery mechanisms such as DEM weighting for our company would severely impair the utility's ability to invest in the future infrastructure stressed in the Telecommunications Act.

#### SPECIFIC SUPPORT MECHANISMS

Park Region supports the removal of DEM weighting revenue requirements from the traffic sensitive tariffed rates and bulk billing through a larger universal service mechanism. We realize the payers of DEM would thus be expanded to include all telecommunications providers. Recipients of the dollars must continue to be the same small exchange carriers willing to serve the less profitable areas of the country and investing in the future technologies stressed by the Act. Our particular company does not receive any revenue from the current universal service fund, thus the DEM support mechanism is extremely important.

#### COST METHOD

New competitive local exchange carriers should comply with FCC's accounting and separations rules. While accounting simplification is certainly a common goal of all of us, today, numerous very small local exchange carriers of less than 100 lines comply with the cost separation accounting rules. The strict adherence to FCC accounting rules assures uniform application of costs.

It would appear the fascination with census block group proxying models would change the current support structure to enable some of the largest companies in the nation to receive more support dollars. Today's accounting and cost separation rules accurately reflect actual costs of service per study area. Cost settlement companies perform actual cost studies, while average schedule settlement process develops its formulas based on actual cost data from look alike cost and average schedule companies. Thus, how much more factual can a national support mechanism be than to compensate companies for actual costs incurred? Obviously small companies do not have the ability to average their serving areas with extremely low cost metropolitan areas, however it is the small companies in the nation that have continually accepted the challenge of serving the less profitable rural areas.

#### ADMINISTRATOR

It is very important that NECA be retained as a neutral administrator of support mechanisms. NECA has the experience and the attained efficiencies to not only represent the directions of the FCC but the proven track record in interfacing with all types of communications companies. The art of administering funds which must be collected and distributed with the utmost of integrity and neutrality, requires walking a tight rope that can be extremely difficult. NECA's experience gained over the past few years make it the only national administrator possessing the knowledge and efficiency to implement modification to the support mechanisms for the national good in the time frame afforded by the Act.

#### CONCLUSION

The telecommunications industry, along with the regulators have built a support mechanism structure which has provided affordable telecommunications to the

broadest national citizen base possible. The national coverage benefits all telecommunications providers, business, industry and citizens by ubiquitous accessibility. This quality and affordable network is the envy of the world. National support mechanisms can and should be modernized to accommodate evolving services and competition. The modifications must however, be for the common good of all the people. Let us build and improve on a current, extremely successful structure.

Park Region appreciates the opportunity to submit its comments on this vitally important rule making proceeding.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Paul Hoff", with a large, stylized initial "P" and "H".

Paul Hoff

General Manager/CEO